

Verizon posts 4Q loss on \$3B in layoff costs

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In this Jan. 25, 2010 photo, mobile phones are displayed in a Verizon store in New York. Verizon Communications Inc. is showing a loss for the fourth quarter, brought down by a big charge for layoff costs. (AP Photo/Mark Lennihan)

(AP) -- Verizon Communications Inc. on Tuesday posted an unusual loss for the fourth quarter, as a charge for layoffs in its shrinking landline business overshadowed the growing, and profitable, wireless business.

And even the wireless business ran into trouble, as tough competition cut into Verizon's [profit margins](#).

Verizon CEO Ivan Seidenberg told analysts on a conference call that the company continues to feel the effect of the economic downturn, particularly in selling service to businesses.

"We're facing some more significant headwinds than we thought we

would face from the economy," he said. He is now expecting a more robust recovery in 2011.

Verizon shares fell 58 cents, or 1.9 percent, to \$30.10 in morning trading.

The nation's second-biggest phone company lost \$653 million, or 23 cents per share, in the last quarter. In the same period a year earlier it had a profit of \$1.24 billion, or 43 cents per share.

Excluding one-time items, mainly consisting of a \$3 billion charge for severance and other costs associated with layoffs, Verizon says it earned 54 cents per share. That was a penny below the average analyst estimate, as polled by Thomson Reuters.

Those estimates were already reduced, after Verizon warned early this month that it paid higher-than-expected subsidies to put phones in the hands of customers. Verizon Wireless is fighting to attract high-paying subscribers away from AT&T Inc. and its exclusive iPhone. AT&T reports earnings Thursday.

Verizon's revenue rose 10 percent to \$27.1 billion, largely due to the acquisition last January of Alltel Corp. Analysts were expecting \$27.3 billion.

New York-based Verizon ended the quarter with 222,927 employees, 7,413 fewer than it had in September. The [layoffs](#) have come on the traditional phone-company side, as many customers give up their lines in favor of using only cell phones or phone service from cable companies. Chief Financial Officer John Killian said the company cut 13,000 jobs on the wireline side last year, and expects a similar number of cuts this year.

Analyst Craig Moffett at Sanford Bernstein noted that the Verizon's overall wireline business did worse than expected in the fourth quarter, adding a net of just 153,000 video subscribers, half of what it gained in the fourth quarter the year before. He called the development "troubling," considering that fiber-optic video and Internet service is Verizon's way of compensating for dwindling voice service.

Verizon Wireless, already the largest cell phone carrier in the country, added 2.2 million customers to end the year with 91.2 million. However, 1 million of the new customers signed up through a reseller such as Tracfone LLC rather than directly through Verizon. Such customers generally pay much less than customers who sign contracts under the Verizon brand.

Higher subsidies for phones meant that Verizon Wireless' operating margin shrank 2.6 percentage points to 27.3 percent. The competition in the wireless market has only gotten tougher since the quarter ended: Two weeks ago, Verizon cut the price of unlimited voice service to \$70 per month from \$100. AT&T quickly made a similar move. Both carriers are betting on making back the money through higher charges for data service.

It's not clear when AT&T's exclusive hold on the iPhone ends, and Verizon might get an Apple device to sell this year. In the meantime, it's pushing phones running Google Inc.'s Android software as its main alternative to Apple's phone.

[Verizon Communications](#) owns 55 percent of Verizon Wireless. It counts all the wireless revenue on its books, but 45 percent of the profits flow to joint venture partner Vodafone Group PLC of Britain.

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